

**STATE OF COLORADO  
PERFORMANCE PAY SYSTEM**

**COLORADO DEPARTMENT  
OF TRANSPORTATION**



**PERFORMANCE PAY PROGRAM  
IMPLEMENTATION PLAN**

**JUNE, 2001**

Approved by Department of Personnel on June 4, 2001



# **COLORADO DEPARTMENT OF TRANSPORTATION PERFORMANCE PAY PROGRAM**

## **IMPLEMENTATION PLAN FOR COLORADO'S PERFORMANCE PAY SYSTEM**

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## **I. Introduction**

This document is the implementation plan for the performance pay program at the Colorado Department of Transportation (CDOT). Within the state's performance pay system rules, CDOT's Executive Management Team (EMT) makes all policy decisions concerning the implementation of the performance pay program at CDOT. This implementation plan has been approved by the Executive Director and the EMT.

CDOT's program adheres to the uniform and consistent performance pay system guidelines established for all state agencies. CDOT's program is and shall be revised, as necessary by CDOT's Executive Director and EMT to remain consistent with all requirements of the state's performance pay system and the Personnel Board Rules and State Personnel Director's Administrative Procedures. Amended plans will be submitted to the State Personnel Director, as required, for approval prior to implementation.

The following individuals are responsible for leading implementation and management of the performance pay program at CDOT.

- Thomas E. Norton, Executive Director, provides executive oversight of CDOT's performance pay program. Mr. Norton also serves on the Executive Oversight Team for the statewide performance pay system.
- CDOT's Executive Management Team (EMT) provides input into the policies and processes of CDOT's performance pay program. The EMT is comprised of CDOT's Executive Director, all division and office directors and all Regional Transportation Directors.
- Paul K. Woods, CDOT Center for Human Resource Management, is the point person responsible for managing the performance pay program at CDOT.

The sections of this plan parallel the "Performance Pay Program Checklist," dated October 2000, and distributed by the Department of Personnel/GSS Human Resource Services. CDOT's performance pay program consists of three components: performance management, performance-based pay, and dispute resolution.

## **II. Performance Management**

CDOT defines performance management as the process of linking individual objectives to business strategy. This includes aligning and evaluating individual performance in the context of organizational goals and objectives.

An employee performance evaluation form (3P Form) has been created for CDOT's performance pay program to document the performance management

process for each CDOT employee. CDOT's 3P Form is contained in CDOT's performance pay program training materials. The form is also available electronically from CDOT's Center for Human Resource Management (CHRM) intranet web site. The electronic version of the form is a template enabling supervisors to tab through the form while completing it.

CDOT's schedule for the annual performance management cycle is:

<b>Activity</b>	<b>Date</b>
Performance planning	March-April (work unit and employee plans due by May 1)
Performance progress review	October/November
Final performance review (meeting between supervisor or lead worker and employee)	March-April
Performance rating (negotiation between supervisor and reviewer to determine employee's final performance rating)	March-April
Employee's notification of final performance rating	By May 1
Dispute resolution process for final rating	May

Based on cumulative experience with the performance pay program, these due dates will be revised as necessary in order to maintain the most efficient and effective performance management system at CDOT.

The four key components of CDOT's performance management program are:

- Performance planning
- Performance progress review
- Final performance review
- Performance rating (evaluation)

### **Performance Planning**

The performance planning process establishes the foundation for an effective performance management process. A well-crafted performance plan informs the employee of the criteria that will be used to evaluate his/her performance several months into the future. The performance plan provides important clarity to the employee on the priorities for his/her job. The plan also provides a basis upon which the supervisor can direct his/her coaching and development activities toward each employee throughout the evaluation period.

Every employee's annual performance plan should align with CDOT goals and objectives. CDOT participated in a major strategic planning effort in the early 1990's. A mission statement, a set of business objectives and a set of guiding values were developed as part of this effort. The mission statement was later revised to reflect a more multi-modal transportation orientation. The department's original values remain intact today.

A follow-up business/strategic planning effort underway in 2001 involves defining the key categories of programs and activities supporting the mission of CDOT in which department financial resources are invested. An important aspect of this project is defining the key performance measures for each "investment category." These measures will be used to track the effectiveness of investments in advancing towards CDOT's mission.

The higher-level organizational performance measures, once established through the investment category effort, will be useful in linking CDOT's mission with the performance management process. These organizational performance measures will provide a solid foundation from which to develop lower-level performance measures that can be incorporated into unit work plans as well as employee performance plans. These linkages from mission statement, to investment categories, to higher-level performance measures, to unit performance measures, to employee-level performance measures establish the critical "line of sight" necessary to realize the full benefits of performance management.

The planning process for an employee's plan also evolves from the performance rating from the prior evaluation period. Areas for improvement that are identified during the prior performance review and rating processes can become points of emphasis for the following year's performance plan.

Performance planning involves a mandatory meeting between every employee and his/her supervisor or a lead worker assigned by the supervisor at the beginning of the evaluation cycle. This planning meeting consists of:

1. A review of CDOT's mission and goals.
2. A review and discussion of the unit's work plan for the upcoming year. This unit work plan typically contains the unit's priorities for the year.
3. A statement concerning which of CDOT's competency areas will be used to determine an employee's performance rating and the relative importance of each competency area.

Competency areas are key capabilities required for satisfactory job performance within the context of an employee's job roles and responsibilities. Competencies are broader in scope than job duties and apply across major job categories. CDOT's competency areas were developed by groups of subject matter experts

spanning CDOT's major occupational groups, including engineering, transportation maintenance and administration.

Statewide uniform core competencies, defined by the State Personnel Director, will be included on every employee's performance plan and the employee's performance on these core competencies will be used in determining every employee's final overall performance rating.

Teamwork, if an important part of an employee's job, can be included as a component of an employee's performance plan. Teamwork should be weighted proportionately to its relative level of importance in performing the job.

The performance plan for all supervisors specifies that the supervisor's effectiveness in performing the performance management functions is one criterion used in determining every supervisor's final overall performance rating.

4. A review of the Individual Performance Objectives (IPO's) on which the employee's performance will be evaluated when the final performance rating is determined. IPO's are written statements that clearly communicate management's performance expectations in specific areas. IPO's represent "points of emphasis" of on-going job activities as well as new initiatives for the year. IPO's are an optional part of the performance planning process.

The manner in which each supervisor or lead worker conducts the performance planning meeting is left to the discretion of the supervisor or lead worker. However, the supervisor must have a written copy of the employee's performance plan available for the supervisor, lead worker (if applicable) and employee to sign. Supervisors may elect to involve employees in developing the employee's performance plan.

If a supervisor fails to provide an employee with an annual performance plan, the supervisor's reviewer (typically the second level supervisor) is responsible for completing the plan. If the reviewer fails to complete the plan in a timely manner, the reviewer's supervisor is responsible for completing the plan and on up the employee's line of supervision until the employee's annual performance plan is completed.

Sanctions for failure to provide an employee with an annual performance plan will be imposed. Absent extraordinary circumstances, failure by a supervisor to provide a timely plan results in a corrective action and/or ineligibility for a performance award. If the individual performance plan is not completed within 30 days of a corrective action, the supervisor shall be disciplinarily suspended in increments of one work week following the pre-disciplinary meeting.

### **Performance Progress Review**

Performance progress review(s) involves at least one mandatory and documented meeting during the year between every employee and his/her supervisor or assigned lead worker. Coaching and feedback are important objectives of this meeting. This meeting consists of:

1. A review and discussion of the unit's work plan and any modifications resulting from changed business conditions since the plan was initially developed.
2. A review and discussion of the employee's performance on the competency areas selected during the performance planning phase.
3. A review and discussion of the employee's performance in satisfying the IPO's established during the performance planning phase.
4. Agreement on modifications to the employee's performance plan (i.e., competency areas and/or IPO's) resulting from changed business conditions since the plan was initially developed.

### **Final Performance Review**

The final performance review involves a mandatory meeting between every employee and his/her supervisor or assigned lead worker. This meeting consists of:

1. A review and discussion of all relevant performance data accumulated throughout the evaluation period.
2. A review and discussion of the employee's performance on the selected competency areas throughout the evaluation period.
3. A review and discussion of the employee's performance on the IPO's.

The supervisor is not required to provide the employee with a final performance rating at the final performance review meeting since the final rating is subject to further review.

### **Performance Rating**

All employees will be evaluated, in writing, at least annually based on their job performance during the previous evaluation period. Performance ratings will be based on four levels, with the first level indicating unsatisfactory performance. Performance ratings are based on a qualitative system that is uniform throughout the department. All ratings conform to the four-level rating scale.



Following the final performance review, the supervisor recommends to his/her reviewer (typically the second level supervisor) a final performance rating for the employee based on the supervisor's observations and input from the employee. The supervisor's recommended performance rating represents a fact-supported judgmental rating by the supervisor based on job-relevant performance information obtained from a variety of sources. The performance rating is determined through the principle of "preponderance of data."

Competency Area Ratings. The first step a supervisor takes in deriving a final performance rating is to rate the employee's performance on each selected competency area. The competency area rating uses the same four-level rating scale established for the performance pay program.

To arrive at a competency area rating, the supervisor considers the employee's performance on work factors related to the competency. The factors to be considered were identified during the performance planning process.

Teamwork, if included on an employee's annual performance plan, is considered in proportion to its weight determined during performance planning when the associated competency area rating is determined.

An evaluation of the supervisor's effectiveness in performing the performance management functions involving his/her employees is one criterion used when the supervisor's rating is determined for the associated competency area.

Another part of the performance data considered in determining a rating for the competency area is derived from the employee's performance on those IPO's related to the competency area.

Rating Recommendation. Once the supervisor provides a rating for each of the selected competency areas, the supervisor develops a final (composite) performance rating based on (1) the ratings for each competency area and the relative importance of each competency area to the employee's job and (2) all other relative performance data. Other relative performance data may include results from customer surveys, multi-source assessment processes (e.g., 360 degree evaluation tools) or team-based participation.

CDOT's method of determining performance ratings is based upon the experience, ability and responsibility of supervisors to distinguish levels of performance among employees. Supervisors are expected to examine each employee's performance from the perspective of performance on the selected competency areas and IPO's, examine other job-relevant information, compare each employee's performance with other employees in the unit and make a fact-supported recommendation of each employee's performance rating to the reviewer.

The principle of “preponderance of data” is central to deriving a final performance rating. A performance rating is a fact-supported judgmental rating supported by a preponderance of job-relevant performance information from a variety of sources. Once the supervisor determines a final performance rating, this rating is forwarded to the reviewer as a recommendation. The supervisor’s reviewer is likely to be the supervisor’s immediate (i.e., employee’s second level) supervisor.

General guidelines for distinguishing Level 4 (highest level) performance are based on unusual levels of performance during the year. Justification of a Level 4 rating might include one or more of the following elements:

- Exceptionally high production levels within a measurable activity.
- Exceptional response to an unforeseen event, such as a workplace emergency.
- Exceptionally high reliability in work performance, as measured by attendance, willingness to take on new tasks, etc.
- Unusual expertise that might have been gained by special training.

Final Rating. Final performance ratings must be communicated to each employee by the supervisor or assigned lead worker by an established date (currently May 1).

Each performance rating represents an agreement between the employee’s supervisor and the supervisor’s reviewer. The reviewer is typically a higher-level manager who manages multiple supervisors. The reviewer consults with the supervisor, views the performance of all employees within the reviewer’s larger area of responsibility, and determines the final performance rating for each employee. An employee’s final performance rating therefore reflects the relative performance of the employee as judged by the supervisor and the reviewer. This process takes advantage of the reviewer’s broader organizational perspective of performance derived from overseeing multiple organizational units.

The reviewer functions in a quality control role ensuring that performance ratings reflect valid differences in performance levels among employees, not differences resulting from rating scale differences used by different supervisors (e.g., easy versus hard raters). Ultimately, each appointing authority is responsible for maintaining quality control over the performance management process in his/her organization. Part of this quality control is to ensure the equity and fairness of employee ratings across all units reporting to the appointing authority.

Quotas or forced distribution processes for determining the number of ratings in any of the four performance levels will not be established or used.

Once an employee's final performance rating is determined by the supervisor and reviewer, the supervisor or the supervisor's assigned lead worker informs the employee of the final performance rating. The supervisor should make a serious effort to keep to a minimum the time between the final performance review meeting and communicating the final performance rating to the employee.

If a supervisor fails to provide an employee with a final performance rating, the supervisor's reviewer (typically the employee's second level supervisor) is responsible for completing the rating. If the reviewer fails to complete the performance rating in a timely manner, the reviewer's supervisor is responsible for completing the rating and on up the employee's line of supervision.

In the event an employee does not receive a final performance rating in a timely manner, a default final performance rating of Level 2 (i.e., first satisfactory rating) is awarded. This default rating is used in the process of determining the employee's performance award amount.

Sanctions for failure to provide an employee with a final performance rating will be imposed. Absent extraordinary circumstances, failure by a supervisor to provide a timely rating results in a corrective action and/or ineligibility for a performance award. If the final performance rating is not completed within 30 days of a corrective action, the supervisor shall be disciplinarily suspended in increments of one work week following the pre-disciplinary meeting.

A Level 1 rating, denoting unsatisfactory performance, may result in a performance improvement plan or a corrective action. Supervisors ensure that sufficient documentation exists to support the rating and follow-up action. The performance improvement plan or corrective action shall specify the reason for the action, the desired behavior or outcomes expected from the employee to remedy the situation and the period of time the employee has to comply with the desired behavioral changes or performance outcomes.

The supervisor shall meet with the employee by the last day specified in the plan or action to review the employee's performance. The supervisor might decide to:

- Modify the Level 1 rating to Level 2 or above;
- Extend the period of time the employee has to comply with the desired behavioral changes or performance outcomes and continue the performance improvement plan or corrective action;
- Pursue more severe action against the employee (e.g., disciplinary action); or
- Take other appropriate action based on the merits of the situation.

The supervisor shall document the action and retain the documentation for future use.

CDOT's handling of performance matters comply with all procedures contained in the Personnel Board Rules and Personnel Director's Administrative Procedures, including Chapter 6 on Performance.

### **III. Dispute Resolution**

CDOT's dispute resolution process for the performance pay program is a separate process from grievances or appeals, reflecting its emphasis on a more flexible, informal approach to resolving disputes related to the performance pay program. This process shall be open and impartial and will allow the parties an opportunity to have issues heard. Effort will be made to resolve disputes informally at the lowest level possible.

CDOT's process will adhere to all requirements established by the State Personnel Director, including all applicable timelines for filing and completion of the process.

The formal dispute resolution system for the performance pay program has two stages -- CDOT's internal stage and a stage external to CDOT that is defined and administered by the State Personnel Director and Department of Personnel. Appointing authorities are the decision-makers in the internal dispute resolution process. Appointing authorities may delegate this authority, but the delegation must be in writing and publicized in advance. All employees must be notified annually of the authorized decision-maker for their disputes.

No party has an absolute right to legal representation during the dispute resolution process, but both parties may have present a person of the respective party's choice. The parties are expected to represent and speak for themselves.

Retaliation against any person involved in the dispute resolution process is prohibited.

#### **Bases for Disputes**

An employee may dispute the following issues:

- His/her own performance plan (or lack of a plan) during the planning cycle;
- His/her own final performance rating;
- The application of CDOT's performance pay program, policies, or processes to the individual employee's performance plan and/or evaluation; and

- Full payment of an award.

Decisions reached through the dispute resolution process for CDOT's performance pay program on the first two items are final and binding. Employees may escalate the review process to Department of Personnel for an external review based on the latter two criteria after CDOT's internal review process has been completed.

**Not** subject to dispute resolution involving CDOT's performance pay program are:

- The content of CDOT's performance pay program;
- His/her own interim performance rating (if applicable) or performance progress review;
- The performance evaluations and awards of other employees;
- Matters related to the funds appropriated; and
- The amount of a performance award, including whether it is base building, non-base building, any combination, or none unless the issue involves the application of CDOT's performance pay program.

Only issues originally presented in writing shall be considered throughout the dispute resolution process.

### **Internal Stage**

CDOT's internal stage of the performance pay program dispute resolution process follows a two-step chain-of-command process. This process is:

Step 1. The employee and his/her supervisor work together to resolve the dispute at their level. This informal process must be completed within five (5) working days of the event that raised the dispute. The supervisor cannot render a decision that would alter CDOT's performance pay program. If the employee's immediate supervisor is also the appointing authority, the employee begins the process at Step 2.

Step 2. If the dispute has not been resolved to the employee's satisfaction during the five-day informal resolution period of time, the employee may elect to escalate the dispute by submitting the dispute in writing to the reviewer. The reviewer is typically the supervisor's immediate (i.e., the employee's second level) supervisor. The written dispute must be submitted to the reviewer within five (5) working days following the unsatisfactory conclusion of the informal resolution process between the employee and supervisor.

CDOT's performance evaluation form (3P Form) specifies that written disputes are to be directed to the employee's second level supervisor (reviewer) unless otherwise notified in writing by the appointing authority or designee.

The reviewer has five (5) working days from receipt of the written dispute to render a written decision. In order to make an informed judgment the reviewer may discuss the matter with the supervisor and employee involved in the dispute. The reviewer is limited to addressing the facts surrounding the current action and shall not substitute his/her judgment for that of the rater. The reviewer may instruct the rater to:

- Follow CDOT's performance pay program,
- Correct errors,
- Reconsider a performance rating or plan,
- Suggest other appropriate processes, such as mediation. The reviewer cannot render a decision that would alter CDOT's performance pay program.

Final resolution of issues concerning the individual's performance plan (or lack of plan) and the individual's performance evaluation (including assignment of a default Level 2 final performance rating) shall occur at the internal stage of the dispute resolution process. Employees will have no further recourse for resolution of these disputes under the performance pay program.

The reviewer sends copies of the resolution decision to the employee and CDOT's Center for Human Resource Management.

### **External Stage**

Following the completion of CDOT's internal dispute resolution process, employees dissatisfied with the resolution of disputes concerning: 1) application of CDOT's performance pay program, policies or processes to the individual employee's performance plan and/or evaluation; or 2) full payment of an award (if relevant) may proceed to the external stage of the dispute resolution process administered by the State Personnel Director.

Employees are provided written notice that they may, after completion of the internal stage, submit a written request to the State Personnel Director for consideration of the dispute under the external stage of the dispute resolution process. Notice shall include deadlines for filing, a list of what must be included in the request, and the address for filing.

The employee must make the request to the State Personnel Director within five (5) working days of the final decision from CDOT's internal stage and must include copies of the original issues and the final agency decision.

#### **IV. Training and Communications**

##### **Performance Pay Program Orientation, Training and Support**

Performance management training is mandatory for all supervisors.

CDOT's Center for Training and Organizational Development has delivered performance management training to the more than 3,000 CDOT employees and supervisors. Supervisors received two days of performance management training and employees received one day of training. Updated performance management training sessions are continuously offered to new employees and supervisors.

All employees and supervisors are required to attend an orientation to and/or training in CDOT's performance pay program. CDOT appointing authorities choose from incorporating performance pay program information into their organization's employee orientation programs or sending employees and supervisors to performance pay program training sessions offered periodically throughout the year by CDOT's Center for Training and Organizational Development. Topics covered in performance pay program training have included:

- Overview of CDOT's performance pay program;
- Defining performance levels;
- Performance management cycle;
- CDOT competency areas;
- Employee performance plans;
- Individual performance objectives and performance measures;
- Unit work plans;
- CDOT's strategic plan;
- CDOT's performance management system;
- Completing CDOT's performance evaluation form (3P Form);
- Defining levels of job performance; and
- Performance-based pay and performance awards.

CDOT's performance pay program training will be supplemented as enhancements to the state's performance pay system or CDOT's performance pay program are made. Details of performance-based pay as contained in the State Personnel Director's Administrative Procedures will be incorporated into the training.

CDOT's training covers the development of good performance measures in the form of Individual Performance Objectives (IPO's). Information on developing

IPO's is available in CDOT's performance pay program training manual as well as from the Center for Training and Organizational Development and the Center for Human Resource Management (CHRM). Contained on CHRM's intranet web site is a database of more than 200 sample IPO's to be used by supervisors as prototypic examples of well-written IPO's. These IPO's were developed following the SMART (Specific, Measurable, Achievable, Results-oriented, Time-bound) criteria.

Also contained on CHRM's intranet is the document, "Supervisor's Guide to CDOT's Performance Pay Program," a step-by-step guide to assist supervisors in completing CDOT's performance pay program process. Samples of unit work plans are also contained on the intranet to assist supervisors in developing their own unit work plans.

CDOT's Center for Training and Organizational Development conducts customized workshops for organizational units interested in developing annual work plans and relevant performance measures.

### **Communications**

Performance pay program information is disseminated to employees through various communication methods. These methods include:

- *Transpo-Topics*, a monthly newsletter from the Executive Director inserted into paycheck stubs mailed to all CDOT employees;
- *The CDOT Insider*, a quarterly publication mailed to all CDOT employees;
- Postings on the Center for Human Resource Management (CHRM) intranet web site;
- Electronic mail to CDOT supervisors;
- Periodic updates posted on CDOT's weekly public announcements dispersed through department-wide e-mail;
- Periodic updates at Executive Management Team meetings whose members then communicate updated information throughout their respective organizations;
- Periodic information meetings conducted throughout the department; and
- Answers from CHRM personnel to employee questions.



## **V. Performance-Based Pay**

### **Intra Department Allocation of Award Funds**

CDOT's Office of Financial Management and Budget (OFMB) submits a budget request mid-year projecting the personal services budget needs for the following fiscal year. This projection includes an estimate of performance award dollars (base building and non-base building) to be allocated at the end of the fiscal year. These projections take into consideration the distribution of employee salaries within the respective pay range and proximity to the respective pay range maximum.

Once CDOT receives confirmation of the department's projected personal services budget for the following fiscal year and the performance award allocation amount, OFMB calculates the proportion of CDOT's total performance award budget to be allocated to each appointing authority's organization (division, transportation region, office). The proportion of performance award funds distributed to each organization will be based on allocation guidelines approved by the Executive Director and/or EMT, not to exceed CDOT's total performance award allocation amount. CDOT's EMT functions as an executive compensation committee that oversees the allocation of performance award funds throughout CDOT to ensure fairness.

CDOT's allocation process allows the Executive Director to reserve a proportion of the total performance award budget for performance incentive awards to selected meritorious organizations.

In the initial year of implementation, an organization's performance award allocation will be a function of each employee's salary and its proximity to its corresponding pay range maximum. At the request of the Executive Director or EMT, this allocation process will be cascaded down each appointing authority's organization until each organizational unit receives its proportion of the performance award funds.

To ensure CDOT's performance pay program is cost-neutral as required by statute, total performance award dollars will not exceed CDOT's total performance award allocation.

Also in the initial year of implementing the performance-pay component of the performance pay program, individual employee performance award amounts will be annualized based on employee anniversary dates. This process of annualization at the employee level ensures the cost-neutrality requirement of the performance pay system.

This entire allocation process will be managed by OFMB using a computerized information system called Budget Allocation Tool (BAT).

### **Budget Allocation Tool (BAT)**

CDOT's Budget Allocation Tool (BAT) is a computerized information system that provides decision support in allocating performance awards. Functions of the BAT include:

- Allocating available performance award funds to all CDOT organizations and work units.
- Assisting supervisors and managers in making performance award decisions for all assigned employees.
- Using built-in rules to prevent decision-makers from violating any of the performance pay system rules (e.g., awarding a performance award greater than the established percentages for each rating level, awarding base building awards that exceed pay range maximum, etc.).
- Providing senior management with approval capability of performance award decisions made at lower levels of their respective organizations.
- Performing budgetary roll-up of all performance award decisions throughout CDOT (e.g., tracking of all individual performance awards within each unit; tracking of all unit awards within each division, transportation region, office; tracking of all organizational awards within CDOT).
- Auditing all transactions.
- Uploading employee performance award decisions into EMPL.

The BAT provides flexibility to each individual decision-maker. At one end of the continuum, if the EMT determines that each award-eligible employee should receive a fixed percentage increase (within the performance pay system rules), the parameters of the BAT can be fixed to make the automatic award. This option requires minimum decision making by each supervisor. At the other end of the continuum, the BAT will allow each supervisor to make variable awards within a rating level based on relative performance contributions of employees and within the performance pay system rules.

The BAT also enables supervisors to be granted moderate levels of decision making flexibility. Under this scenario, the EMT might decide to establish a beginning (default) percentage increase for award-eligible employees. Supervisors could then adjust the default performance award amounts among the employees to reflect the relative contributions of the employees. The BAT ensures all performance awards adhere to the performance pay system rules and

that the total performance award allocation of a unit does not exceed the unit's performance award allocation.

### **Performance Award Distribution**

All performance award distributions adhere to the following performance pay system rules on performance awards.

1. Annual base and non-base building performance awards will be a percentage of salary, effective on the statewide common date of July 1.
2. All awards are subject to available funding and no award will be guaranteed.
3. Source of funding and employee longevity will not be used as standards in determining individual employee performance award amounts.
4. Appointing authorities will make pay decisions based on the evaluations completed by raters and reviewers and within system boundaries.
5. Regardless of the performance level, an employee cannot be granted an award or combination of awards greater than the set performance award maximum.
6. Level 1 performers (employees receiving the lowest rating) are not eligible for a performance award.
7. For those employees below the pay range maximum, Level 2 through Level 4 performers are eligible for base building, non-base building, or a combination of performance awards. No base building award can be granted that results in a base salary that exceeds the pay range maximum. For Level 2 and Level 3 performers, a combination of awards cannot be granted that result in a dollar amount greater than the pay range maximum. Only Level 4 performers may, at the sole discretion of the appointing authority, be granted a non-base building award that results in a dollar amount above the pay range maximum.
8. Common standards must be followed when awarding non-base building awards to employees below pay range maximum.

For the initial year of implementation of performance based-pay at CDOT, Level 2 and Level 3 employees receive only base building awards, not to exceed pay range maximum. Level 4 employees receive at least the same percentage of base building award as Level 3 employees.

Additional base building awards for Level 4 employees is at the discretion of the appointing authority. CDOT criteria for awarding additional base building awards for Level 4 employees below pay range maximum include, but are not limited to:

- Performance of temporary versus on-going assignments;
- Availability and use of alternative incentive rewards;
- Tenure in the position for less than a full performance cycle;
- Employee's position in the pay range and rate of advancement toward pay range maximum; and
- Cost avoidance of high turnover positions.

9. For employees currently at or above the pay range maximum, only Level 4 performers are eligible for performance awards. Payment of awards for those at the maximum of their pay range is limited to non-base building awards and is at the sole discretion of the appointing authority. No performance award amount is guaranteed above pay range maximum. Level 2 and Level 3 performers at or above the maximum of the pay range are not eligible for any performance award.
10. Common standards must be followed when awarding variable amounts of non-base building awards to Level 4 employees at or above pay range maximum.

CDOT criteria for awarding variable amounts of non-base building awards to Level 4 employees at or above pay range maximum include, but are not limited to:

- Relative levels of job performance among Level 4 employees;
- Performance of temporary versus on-going assignments;
- Availability and use of alternative incentive rewards;
- Tenure in the position for less than a full performance cycle;
- Employee's relative position above pay range maximum; and
- Cost avoidance of high turnover positions.

11. The Executive Director or EMT will specify annually the maximum award amount percentages for Levels 2 and 3 based on the organization's budget

and employee demographics. The award percentage for each rating level will adhere to the following rules.

<b>For Employees Below Their Pay Range Maximum</b>	
<b>Performance Level</b>	<b>Performance Award</b>
Level 1	0%
Level 2	0% to X%, not to exceed pay range maximum (X not equal to 0)
Level 3	More than X% to Y%, not to exceed pay range maximum
Level 4	More than Y% to Z%, only non-base building awards above pay range maximum

For the initial year of implementation of performance based-pay at CDOT, Level 2 employees will receive exactly X% and Level 3 employees will receive exactly Y%, not to exceed pay range maximum. The value for X will be less than the value for Y. The EMT will decide in each subsequent year whether or not to allow performance awards to vary within the established rules (e.g., Level 2 award between 0% and X%). Z% will be established annually by the State Personnel Director.

<b>For Employees At or Above Their Pay Range Maximum</b>	
<b>Performance Level</b>	<b>Performance Award</b>
Level 1	0%
Level 2	0%
Level 3	0%
Level 4	0% to Z%, only non-base building awards above pay range maximum

12. Non-base building performance awards awarded to employees must be paid in full, even if the employee terminates employment.

CDOT employees must be employed on July 1 to be eligible for non-base building awards resulting from the prior evaluation period.

13. Performance award amounts for CDOT employees hired during the year may be pro-rated based on employment time. The EMT will determine if a pro-rated awards schedule is to be used as well as the contents of that schedule.
14. Total award amounts to employees do not include the value of any non-salary or monetary incentive rewards that are distributed.

### **Communication of Performance Award Amounts**

Data from the BAT and from CDOT's data warehouse will be used to generate individual employee award letters specifying each employee's base building and non-base building awards as well as the employee's new base salary. These letters will be mailed to all employees in July.

### **Schedule for Performance-Based Pay**

<b>Activity</b>	<b>Date</b>
Employee performance ratings due	May 1
BAT populated with employee performance ratings	May
Performance pay program dispute resolution process completed	May
Appointing authorities work with subordinate managers to determine employee performance award distributions using BAT	May/June
Appointing authority makes final approval of employee performance awards	June
CDOT Budget Office completes review of process	June
Performance award decisions uploaded into EMPL	July
Employees notified of performance award (base-building and non base-building) amounts	July
Performance award pay-out	July

### **Non-Salary and Monetary Incentive Rewards**

As provided by the state personnel system, employees are eligible to receive non-salary and monetary incentive rewards, regardless of position in the pay range, to supplement salary-based performance awards. The EMT will determine the degree to which non-salary and monetary incentive rewards will be used. At the request of the Executive Director, a proposed plan for non-salary and monetary incentive rewards has been proposed and has been submitted to the EMT for consideration. Once approved, a communications plan will be developed and implemented to inform supervisors of the availability of the incentive program.

## **VI. Performance Pay Program Monitoring, Evaluation and Reporting**

CDOT will provide timely information to the State Personnel Director, as requested. To accomplish this, CDOT collects, analyzes and reports on data applicable for evaluating the effectiveness of CDOT's performance pay program. In addition to providing the results to the State Personnel Director, the results are reviewed by the EMT for the purpose of making continuous improvements to the program.

Oversight of CDOT's performance pay program by the EMT functions as a quality assurance review process. This quality assurance process contributes to more accurate and consistent ratings prior to employees receiving their final performance ratings as well as more equitable performance awards across supervisors and raters throughout the organization.

### **Performance Measures**

Measures to evaluate the quality of CDOT's performance pay program include:

1. Proportion of CDOT employees participating in a performance planning meeting with their respective supervisor or assigned lead worker by the established due date.
2. Proportion of performance progress reviews conducted within the established time schedule.
3. Proportion of CDOT employees receiving a final performance rating by the established due date.
4. Proportion of final performance ratings for each rating level.
5. Proportion of CDOT employees submitting a written dispute seeking resolution.
6. Proportion of performance award decisions made by the established due date.
7. Successful uploading of performance award decisions into EMPL by the established date.
8. Total amount of appropriated dollars awarded to employees for performance awards.
9. Total amount of dollars awarded for each performance level.
10. Employee satisfaction rating for pay derived from CDOT's annual employee survey initiated in 2001.

### **Measurement Tools**

Data collected from the Performance Evaluation Tracking System (PETS) and the Budget Allocation Tool (BAT) will serve as the basis for most analyses of CDOT's performance pay program process.

Performance Evaluation Tracking System. The Performance Evaluation Tracking System (PETS) is CDOT's computerized information system that is used to record and track performance management data. PETS accepts entry of the following data:

- Date each employee received his/her annual performance plan from his/her lead worker or supervisor;
- Date each employee participated in a performance progress review with his/her lead worker or supervisor;
- Date each employee received his/her final performance rating from his/her lead worker or supervisor;
- The employee's final performance rating; and
- The name of each employee's lead worker or supervisor.

PETS data is used by Center for Human Resource Management personnel to conduct analyses of supervisor compliance with the requirements of the performance pay program. Sample reports that are generated using data collected by PETS include:

- Employees with delinquent performance planning meetings;
- Employees with delinquent final performance ratings; and
- Distribution of performance ratings.

Budget Allocation Tool. BAT maintains an electronic record of the performance award decision for every employee. BAT also contains a function to generate all essential reports regarding performance awards, including employees without award decisions. Samples of reports that can be generated from the database containing the performance award decisions from BAT include:

- Award-eligible employees not having record of a performance award decision and the names of their respective supervisors;
- Summary by organizational area of performance award allocation and actual award distribution; and
- Error reports for uploaded files to EMPL.